

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00 CIEP-02

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SP-02 SS-15 STR-04 TRSE-00 FRB-01 FEA-01 PA-02 PRS-01

USIA-15 /109 W

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R 212156Z NOV 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5023

UNCLAS OTTAWA 3787

POUCHED TO ALL CANADIAN CONSULS FOR INFO

EO 11652 NA

TAGS ENRG CA

SUBJ ENERGY: OTTAWA-ALBERTA OIL TAXATION CONTROVERSY

REF OTTAWA 3764

1. IN IMMEDIATE REACTION TO MINFIN TURNER'S NOVEMBER 18 BUDGET PROPOSALS ON RESOURCE TAXATION, PREMIER LOUGHEED STATED, ACCORDING TO PRESS REPORTS, THAT ALBERTA NO LONGER CONSIDERS ITSELF BOUND BY THE MARCH DOMESTIC OIL-PRICING AGREEMENT WHICH IS IN EFFECT UNTIL JULY 1, 1975. HOWEVER, LOUGHEED HAS NOW REPORTEDLY SAID THAT ALBERTA WILL CONTINUE THE AGREEMENT (WHICH PROVIDES FOR MAINTENANCE OF THE WELL-HEAD PRICE AT \$6.50 PER BARREL) THROUGH THE WINTER. (TENTATIVE ARRANGEMENTS WERE PRIVATELY UNDERWAY IN OTTAWA FOR A MEETING OF FIRST MINISTERS IN THE SPRING TO BEGIN WORKING OUT AN AGREEMENT ON OIL-PRICING BEYOND NEXT JULY.)

2. ENERGY MINISTER MACDONALD, ACCORDING TO THE PRESS, HAS STATED THAT HE CANNOT GUESS AT LOUGHEED'S INTENTIONS, BUT

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THAT AS AFAR AS GOC IS CONCERNED, THE PRICING AGREEMENT

CONTINUES TO BE IN EFFECT AND THAT THE GOC WILL CONTINUE TO KEEP OIL PRICE TO CANADIANS ABOUT \$5.00 PER BARREL BELOW WORLD PRICES, AT LEAST UNTIL NEXT JULY. IF ALBERTA WERE TO RAISE THE PRICE UNILATERALLY, THEN, ACCORDING TO MACDONALD, "THAT WOULD BE A PROBLEM. OBVIOUSLY, IT WOULD MEAN AN INCREASE IN PERSONAL TAXATION, FOR EXAMPLE. IF THE EXPORT CHARGE IS NOT AVAILABLE, THEN THE ONLY OTHER BASIS FOR THE FEDERAL SUBSIDY WOULD HAVE TO BE FROM THE GENERAL TAX SYSTEM" (MONTREAL GAZETTE, NOV. 20).

3. MACDONALD ALSO SAID THAT HE KNEW OF NO FEDERAL LEGISLATION WHICH WOULD PREVENT A PROVINCE FROM OPTING OUT OF THE OIL AGREEMENT. HOWEVER, HE ADDED, PROVISIONS OF THE PENDING PETROLEUM ADMINISTRATION ACT (SEE OTTAWA 3671) WOULD GIVE OTTAWA THE POWER TO SET PRICES FOR INTERPROVINCIAL SALE OF CRUDE OIL IF AN AGREEMENT CANNOT BE REACHED AMONG THE PROVINCES AND FEDERAL GOVERNMENT ON VOLUNTARY BASIS.  
JOHNSON

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, PRESS COMMENTS, PRICES, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Reference:** OTTAWA 3764  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 NOV 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14 NOV 2002 by WorrelSW>; APPROVED <14-Nov-2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** ENRG, PINT, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005